

UNIVERSAL CASE OPINION COVER SHEET**U.S. District Court for the Central District of Illinois**

Complete TITLE of Case	Keelshield Inc, an Illinois corporation, Sue Rogers-Smith, an individual, Scott Smith, an individual, Plaintiffs, v. Megaware Keel-Guard Inc, a Utah corporation, David L. Shumway, an individual Defendants.	
Type of Document	REPORT & RECOMMENDATION	
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COURT	UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF ILLINOIS	
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JUDGE	Honorable John A. Gorman U.S. Courthouse 100 N.E. Monroe, Suite 211 Peoria, IL 61602 309-671-7140	
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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF ILLINOIS

Keelshield, Inc., Sue Rogers-Smith, and
Scott Smith,

Plaintiffs

vs.

Megaware Keelguard, Inc., d/b/a
Megaware Boat Protection Products,
and David L. Shumway,

Defendants

Case No. 00-1312

REPORT AND RECOMMENDATION

Now before the court is the defendants' Motion to Dismiss this action for lack of personal jurisdiction and improper venue and for failure to state a claim or, in the alternative, to transfer this case to the Northern District of Utah (#10). The motion is fully briefed, and pursuant to Local Rule 72.1, the district judge has referred the matter to me for a report and recommendation. After carefully considering all of the submissions of the parties, and pursuant to 28 U.S.C. §636(b)(1)(B), I recommend that the motion be allowed in part and granted in part.

Background

Plaintiffs Sue Rogers-Smith and Scott Smith own the U.S. Trademark Registration for the mark and design KEELSHIELD which is a protective boat strip affixed to a boat hull as a structural part of the boat. She granted an exclusive license to KeelShield, Inc. to use the mark and design, and KeelShield Inc. has been making, using and selling the strips for use nationwide under the tradename KeelShield, Inc. since July 1997. KeelShield Inc. is an Illinois corporation with its principle place of business in East Peoria.

Megaware KeelGuard is a Utah corporation with its principle place of business in Ogden, Utah. Megaware makes and sells boat protection products (keel strips). Megaware is the successor

corporation to Megaware Boat Protection Products. David Shumway is an officer, director, shareholder and agent of Megaware who resides and works in Utah. According to Shumway, the company has no stores in Illinois and has never manufactured any product in Illinois. It has no mailing address, telephone number, employee, bank account, property, or records in Illinois.

Bainbridge International Pty, Ltd. is an Australian company doing business in Australia. Bainbridge purchases products from Megaware for resale. Although the complaint alleges that Megaware and Bainbridge are related, the affidavit of Shumway states that they are entirely separate corporations.

Megaware uses the name “KEELGUARD for its protective strips. However, the complaint alleges that Megaware or Shumway registered Internet domain names¹ of keelshield.com and keelshield.cc, in violation of the trademark and tradename owned by plaintiffs. This allegation is disputed in part by the affidavit of Shumway, which states that www.keelshield.com was owned by a company Integrated Solutions, Inc.; no information is given about that company other than to state that the domain name is no longer owned by Integrated Solutions “or any entity associated with Defendants.” Shumway acknowledges that the domain name www.keelshield.cc is registered to him. He states that it is a “bare domain name registration,” which means that it is not an active web site -- when an Internet user attempts to access this web site, no information is provided.

By registering the domain names, plaintiffs allege that defendants have prevented plaintiffs from using their own tradename and trademark on the Internet. The complaint alleges (on information and belief) that defendants intended either to confuse and deceive customers into believing they are dealing with KeelShield Inc., thereby luring away customers, or to extract money

¹For an informative discussion of the Internet domain name scheme, see the article by Adam Silberlight, “www.How to Be a Master of your Domain.Com: A Look at the Assignment of Internet Domain Names under Federal Trademark Laws, Federal Case Law and Beyond”, 10 Albany Law Journal of Science and Technology 229 (2000). See also discussion in Intermatic Inc. v. Toeppen, 947 F.Supp. 1227, 130-32 (N.D.Ill. 1996).

from plaintiffs in exchange for relinquishing the domain names, or to prevent plaintiffs from registering their own name as a domain name. Plaintiffs believe that both existing and potential customers in Illinois have become confused after visiting the web sites.

The complaint also alleges that defendants and Bainbridge International use the KEELSHIELD trademark as a “hidden metatag text” in another Web site, www.baintech.com, thereby attracting potential customers to that Web site. This text is invisible to the human eye but can be read by a search engine. It says, according to the complaint, that “Bainbridge has the lowest priced marine products such as . . . keelshield...” In other words, customers who search the web for “keelshield” are linked to the Bainbridge site.

Sue Rogers-Smith submitted her affidavit² in which she sets out information about an earlier contractual relationship between herself and Scott Smith and Megaware. That relationship centered on a Distributor Agreement dated July 12, 1994, pursuant to which the Smiths sold Megaware products in Illinois. The products sold by the Smiths were warranted by Megaware, and Megaware approved all advertising by the Smiths. According to Smith, Megaware sold, advertised and shipped to numerous Illinois customers. The Distributor Agreement did not remain in effect for long, although the exact date of termination is not alleged. All that is alleged is that by May of 1997 the parties (i.e. the Smiths and Megaware) had settled litigation in Peoria County Circuit Court and that by July of that same year the Smiths were in business for themselves.

²Her first affidavit was stricken, because it contained assertions explicitly based on information and belief. She submitted a second affidavit which is better but which still contains several such non-factual assertions. In the interests of efficiency, I will consider those portions of her second affidavit which meet the requirements of federal law and will disregard the others. Defendants’ motion to strike portions of her affidavit is granted, and I will not consider the stricken paragraphs, namely 18, 19, 20, and 25. Defendants also move to strike portions of Scott Smith’s affidavit as being argumentative and conclusory rather than factual. I believe that paragraphs 4 and 5 are proper, but that 6 should be stricken. The motion is allowed to that extent, and I will not consider paragraph 6.

One important provision of the Settlement Agreement is the clause that provides that it is to be interpreted, applied and enforced in accordance with the laws of Utah. Another pertinent part prohibits disparagement by either party of the other company or product.

In 1999, representatives of both KeelShield and Megaware were at a trade show in Orlando, Florida. The complaint, supported by Scott Smith's affidavit, alleges that the Megaware representatives made disparaging remarks about KeelShield's products and false statements about a dispute between KeelShield and Minnesota Mining and Manufacturing. In addition, the Megaware agent maligned Sue Rogers-Smith and Scott Smith personally.

Plaintiffs then filed this lawsuit, claiming that the defendants violated the Settlement Agreement and caused the loss of potential business to KeelShield. Plaintiffs also allege that Megaware engaged in unfair competition and infringed on trademarks in violation of the Lanham Act, violated the Illinois Consumer Fraud and Deceptive Trade Practices Act, and committed several state torts, namely interference with prospective economic advantage, trade disparagement, and commercial defamation. In addition to damages, plaintiffs seek an accounting and permanent injunctive relief.

Defendants have moved to dismiss the case, arguing that the court lacks personal jurisdiction over them and that the complaint fails to state a claim. In the alternative, defendants seek a transfer to the District Court in Utah on venue grounds. In resolving this motion, I have considered the allegations of the complaint, as well as the affidavits³ of the parties in respect to the personal jurisdiction issue.

³ Both of the Smiths and David Shumway have submitted affidavits in support of their respective positions regarding personal jurisdiction. For purposes of resolving issues of personal jurisdiction, the factual allegations contained in those affidavits may be considered. See, Turnock v. Cope, 816 F.2d 332, 333 (7th Cir. 1987). Allegations in the complaint are to be taken as true, unless the defendant controverts them by affidavit or other evidence, and any conflicts between affidavits are to be resolved in plaintiff's favor. Id.

Personal Jurisdiction

Personal Jurisdiction Generally

A complaint need not include facts alleging personal jurisdiction. Turnock v. Cope, 816 F.2d 332, 333 (7th Cir. 1987). However, once a defendant has moved to dismiss for lack of personal jurisdiction, the plaintiff bears the burden of establishing that the court may exercise personal jurisdiction over the defendant. RAR Inc., v. Turner Diesel, Ltd., 107 F.3d 1272, 1276 (7th Cir. 1997).

The exercise of personal jurisdiction over a foreign defendant in a federal question case must comport with the Due Process Clause of the Fifth Amendment to the United States Constitution, and the defendant must be amenable to service of process.. U.S. v. Martinez De Ortiz, 910 F.2d 376, 381 (7th Cir. 1990). In federal question cases, Fifth Amendment Due Process is satisfied where the defendant has “sufficient contacts with the United States as a whole,” rather than with a particular state. Id. The defendants in this case meet that test without any dispute.

The issue in this case is whether the defendants are amenable to service of process. Some federal question cases are based on statutes that provide rules for service of process, but the Lanham Act does not. Thus, this court must determine if defendants are amenable to service under the Illinois long arm statute, see, Fed.R.Civ.P.4(d)(1)(A), and if so, whether that service would comport with the Fourteenth Amendment. The Illinois long arm statute permits the exercise of personal jurisdiction if doing so comports with the due process provisions of both the federal and Illinois constitutions. 735 ILCS 5/2-209(c). Recent Seventh Circuit cases have treated personal jurisdiction under the two constitutions as co-extensive, thereby collapsing the two issues into a single inquiry: whether personal jurisdiction comports with Fourteenth Amendment Due Process principles. See, e.g., Janmark, Inc. v. Reidy, 132 F.3d 1200, 1202 (7th Cir. 1997)

The Due Process Clause of the Fourteenth Amendment limits the exercise of personal jurisdiction over non-resident corporations to those with sufficient “minimum contacts with [the forum state] such that the maintenance of the suit does not offend traditional notions of fair play and substantial justice.” International Shoe Co. v. Washington, 326 U.S. 310, 316 (1945). That standard means different things in different cases, depending in part on whether the plaintiff asserts general or specific jurisdiction.

General Jurisdiction

General jurisdiction applies in suits that neither arise out of nor are related to the defendant’s contacts with the forum state. Helicopteros Nacionales de Columbia, S.A. v. Hall, 466 U.S. 408, 416 (1984). It is permitted only where the defendant has “continuous and systematic general business contacts” with the forum state. Id.

The contacts that the defendants in this case have with the State of Illinois do not rise to that level. Nearly all those contacts arise out of three facts: that the corporate defendant had a previous Distributor Agreement with the plaintiffs; that the corporate defendant and the plaintiffs litigated and settled in the State of Illinois a dispute arising out of that Agreement; and that the individual defendant has chosen the plaintiff’s name for registration of a domain name. Those contacts are best described as limited and isolated, not continuous or systematic. I therefore find that the court lacks general jurisdiction over the persons of both defendants.

Specific Jurisdiction

Specific jurisdiction applies to suits “arising out of or related to the defendant’s contacts with the forum.” Id. at 414 n.8. The crucial issues in the minimum contacts analysis in specific jurisdiction cases are predictability or foreseeability, RAR, 107 F.3d at 1277-78; Heritage House Restaurants,

Inc. v. Continental Funding Group, Inc., 906 F.2d 276, 283 (7th Cir. 1990); World-Wide Volkswagen Corp. v. Woodson, 444 U.S. 286, 297 (1980), and reasonableness. Id. at 292. In determining the reasonableness of a particular forum, the court must consider the burden on the defendant in light of other factors, including “the forum state’s interest in adjudicating the dispute; the plaintiff’s interest in obtaining convenient and effective relief, the interstate judicial system’s interest in obtaining the most efficient resolution of controversies, and the shared interest of the several states in furthering fundamental substantive social policies.” World Wide Volkswagen, 444 U.S. at 292. In other words, should the defendant “reasonably anticipate being haled into court” in the forum state, because the defendant has “purposefully avail[ed] itself of the privilege of conducting activities” in that state? RAR, 107 F.3d at 1277, quoting Burger King Corp. v. Rudzewicz, 471 U.S. 462, 476-77 (1985). These two issues protect defendants from being forced to answer for their actions in a foreign jurisdiction based on “random, fortuitous or attenuated” contacts. Keeton v. Hustler Magazine, Inc., 465 U.S. 770, 774 (1984).

Infringement of intellectual property rights sounds in tort. Leo Feist, Inc. v. Young, 138 F.2d 972, 975 (7th Cir.1943); Burwood Prods. Co. v. Marsel Mirror & Glass Prods., Inc., 468 F.Supp. 1215, 1218 (N.D.Ill.1979); see also Video Views, Inc. v. Studio 21, Ltd., 925 F.2d 1010, 1013 (7th Cir.) (dictum), cert. denied, 502 U.S. 861. In tort law, a key operative factor for determining the locus of the tort is the place where the plaintiff sustained its injury. World-Wide Volkswagen Corp. v. Woodson, 444 U.S. 286 (1980); Asahi Metal Ind. Co. v. Superior Court of Cal., 480 U.S. 102 (1987); Gray v. American Radiator & Standard Sanitary Corp. 176 N.E.2d 761 (Ill.1961); Acrison, Inc. v. Control & Metering, Ltd., 730 F.Supp. 1445, 1448 (N.D.Ill.1990).

In Calder v. Jones, 465 U.S. 783 (1984), the Supreme Court found proper the exercise of personal jurisdiction over a nonresident defendant who had committed an intentional tort outside the forum causing damage to the plaintiff within the forum held that specific jurisdiction. See also,

Indianapolis Colts, Inc. v. Metropolitan Baltimore Football Club Ltd. Partnership, 34 F.3d 410, 412 (7th Cir. 1994). Both Calder and Indianapolis Colts indicate, without expressly holding, that something more than simple economic damage is required in the forum state, and that the requisite “something more” is some form of entry into the state. See discussion in Transcraft Corp. v. Doonan Trailer Corp., 1997 WL 733905 (N.D.Ill. Nov. 17, 1997). In Calder, the entry was distribution of the newspaper containing the alleged libel; in Indianapolis Colts, it was television broadcast of professional football games.

Application of these jurisdictional principles has proven to be constantly evolving. The Supreme Court noted over forty years ago: “As technological progress has increased the flow of commerce between States, the need for jurisdiction has undergone a similar increase.” Hanson v. Denckla, 354 U.S. 919, (1958). Technological progress has exploded since that statement was made, so that today a business may market itself to the world from a single desktop computer.

Part of the plaintiff’s claim in this case is that the defendants registered the “keelshield” domain name for the purpose of extracting payment for the relinquishment of that name. Similar allegations were made in Panavision Internat’l v. Toeppen, 141 F.3d 1316, 1319 (9th Cir. 1998); Cybersell v. Cybersell, 130 F.3d 414, 415-16 (9th Cir. 1997); CompuServe, Inc. v. Patterson, 89 F.3d 1257 (6th Cir. 1996); Bensusan Restaurant Corp. v. King, 937 F.Supp. 295 (S.D.N.Y. 1996), aff’d 126 F.3d 25 (2d Cir. 1997); and McMaster-Carr Supply Co. v. Supply Depot, Inc., No. 98C1903, 1999 WL 417352 (N.D.Ill. June 16, 1999). These so-called “cybersquatter” cases have all held that simply registering someone else’s trademark as a domain name and posting a web site on the Internet is not sufficient to subject a nonresident to personal jurisdiction unless the registration is accompanied by an intent or focus of activity towards the forum state.

Although in a different factual context, the Seventh Circuit also looks for that intent or focus. In FMC Corp. v. Varonos, 892 F.2d 1308, 1312-13 (7th Cir.1990), the court also found

determinative the fact that the defendant's tortious activities were *intended* to affect the plaintiff's financial interests in Illinois. See also, Honeywell, Inc. v. Metz Apparatewerke, 509 F.2d 1137 (7th Cir.1975), Club Assistance Program, Inc. v. Zukerman, 594 F.Supp. 341 (N.D.Ill.1984); and Acrison, 730 F.Supp. at 1447. Accord, IMO Industries, Inc. v. Kiekert Ag, 155 F.3d 254,256 (3d Cir. 1998); ESAB Group, Inc. v. Centricut, Inc., 126 F.3d 617 (4th Cir. 1997).

The Seventh Circuit has not addressed the relationship of Internet activity and personal jurisdiction. In a series of cases, many of which involve claims under the Lanham Act, however, our sister court in the Northern District of Illinois has adopted the “sliding scale” approach devised by the court in Zippo Manufacturing Company v. Zippo Dot Com, Inc., 952 F.Supp. 1119 (W.D.Pa. 1997). See, First Financial Resources v. First Financial Resources, Corp., No. 00C3365, 2000 WL 1693973 at *3, Nov. 8, 2000 (N.D. Ill)(Lanham Act); Berthold Types Ltd. v. European Mikrograf Corp, 102 F.Supp.2d 928,932 (N.D.Ill. 2000)(Lanham Act); Ameritech Services Inc. v. SCA Promotions, Inc., No. 99C4160, 2000 WL 283098 at *4, March 6, 2000 (N.D.Ill.); Ty Inc. v. Clark, No. 99C5532, 2000 WL 51816 at *3, Jan. 14, 2000 (N.D.Ill.); International Star Registry of Illinois v. Bowman-Haight Ventures, Inc., No. 98C6823, 1999 WL 300285 at *4, May 6, 1999 (N.D.Ill); LFG, LLC v. Zapata Corp, 78 F.Supp.2d 731, 736 (N.D.Ill. 1999); Scherr v. Abrahams, No. 97C5453, 1998 WL 299678 at *4, May 29, 1998 (N.D.Ill.); Vitullo v. Velocity Powerboats, Inc., No. 97C8745, 1998 WL 246152 at *5, April 27, 1998 (N.D.Ill.); and Transcraft Corp. v. Doonan Trailer Corp, No. 97C4943, 1997 WL 733905 at *8, Nov. 17, 1997 (N.D.Ill).

Other Circuits are in accord. See, Soma Medical Internat'l v. Standard Chartered Bank, 196 F.3d 1292 (10th Cir. 1999); Mink v. AAAA Development LLC, 190 F.3d 333, 336 (5th Cir. 1999); Cybersell, Inc. v. Cybersell, Inc., 130 F.3d 414, 418-19 (9th Cir. 1997).

In Zippo, the court held that “the likelihood that personal jurisdiction can be constitutionally exercised is directly proportionate to the nature and quality of commercial activity that an entity

conducts over the Internet.” 952 F.Supp. at 1124. The court further defined three points along the spectrum of possible Internet activity:

At one end of the spectrum are situations where a defendant clearly does business over the Internet. If the defendant enters into contracts with residents of a foreign jurisdiction that involve the knowing and repeated transmission of computer files over the Internet, personal jurisdiction is proper. At the opposite end are situation where a defendant has simply posted information on an Internet Web site which is accessible to users in foreign jurisdictions. A passive Web site that does little more than make information available to those who are interested in it is not grounds for the exercise of personal jurisdiction. The middle ground is occupied by interactive Web sites where a user can exchange information with the host computer. In these cases, the exercise of jurisdiction is determined by examining the level of interactivity and commercial nature of the exchange of information that occurs on the Web site.

Id. Having said that, the court engaged in a rather traditional analysis of jurisdiction, noting that intentionally reaching beyond one’s boundaries to conduct business with foreign residents supports personal jurisdiction, and that “[d]ifferent results should not be reached simply because business is conducted over the Internet.” Id. Once again, intent or focus proved crucial.

In the case before the court, the plaintiffs have alleged tortious misconduct by agents of the corporate defendant that occurred outside the State of Illinois but resulted in economic injury within in the state of Illinois. That alleged misconduct was focused toward an entity that the corporate defendant knew was based in Illinois. Under the cases discussed above, I believe that the exercise of jurisdiction over the person of the corporate defendant would be proper.

There is one additional fact that makes that conclusion certain: the corporate defendant entered into a settlement agreement, an enforceable contract, with an Illinois resident concerning litigation in Illinois. Participation in discussions in Illinois leading to formation of a contract supports personal jurisdiction when the dispute arises out of that contract. Mid-America Tablewares, Inc. v. Mogi Trading Co., 100 F.3d 1353, 1361 (7th Cir. 1996); Nucor Corp. v. Aceros Y Maquilas de Occidente, S.A. de C.V., 28 F.3d 572, 581 (7th Cir. 1994); Deluxe Ice Cream Co. v. R.C.H. Tool Corp., 726 F.2d 1209, 12116 (7th Cir. 1984). Part of this dispute arises directly from that contract.

That alone would be enough to find specific jurisdiction over the corporate defendant⁴, without any consideration whatsoever of the tort claims facts underlying the tort claims. Combined with the contacts that relate to the tort claims, there are several bases for exercising personal jurisdiction. And even if the outcome of the tort analysis had been different, once the defendant is properly before this court for resolution of the contract dispute, there is simply no reason that this court cannot or should not hear all of the parties' claims against each other.

However, exercise of jurisdiction over the individual defendant Shumway does not follow. Shumway's *only* alleged contact with the State of Illinois is his registration of the domain name keelshield. He was not involved in the earlier litigation nor is he a signatory to the settlement agreement. The "cybersquatter" cases are directly on point, and they require a focus or intent to injure an interest in Illinois. All of these cases distinguish, in much the same way as do the Zippo line of cases, between degrees of Internet activity. Where the activity is passive, no jurisdiction is found. Only where active use of the Internet is directed to the forum has jurisdiction been found.

Shumway's situation appears at first blush to be most like the defendant in Cybersell, which had only a passive home page on the web. While anyone could access that home page, there was nothing to suggest that Cybersell directed any effort or focus toward residents of the forum state. However, there is one very big difference. In Cybersell, there was no previous relationship and no other connection from which even knowledge of the other party could be inferred, let alone some intent directed at the other party. The choice of identical names appeared mere happenstance.

Here, Shumway certainly knew of his competitor at the time of the registration. And there is something more alleged, the "megatag" which links users to Shumway's company's site when they

⁴Defendant argues that, because the agreement contains a choice of law provision, providing that it is to be interpreted under Utah law, the existence of the contract is not enough to confer personal jurisdiction. I disagree. The agreement contains no forum selection clause, and while the choice of law provision may enter into the analysis of venue or forum non conveniens arguments, it is not a crucial factor in the personal jurisdiction equation.

search using Shumway's competitor's name. From the alleged facts and from the evidence submitted it would not be unreasonable to find an intent on Shumway's part to affect negatively his company's competitor. I therefore conclude that, because this is not a case of "bare" registration of a domain name because there is something more, this court may exercise personal jurisdiction over Shumway.

Accordingly, I find that this court may exercise jurisdiction over the persons of both the corporate defendant and the individual defendant and therefore recommend that the motion to dismiss for lack of personal jurisdiction be denied.

Venue

The general venue statute provides in pertinent part that a "civil action wherein jurisdiction is not founded solely on diversity of citizenship may. . . be brought only in. . . a judicial district in which a substantial part of the events or omissions giving rise to the claim occurred. . . " 28 U.S.C. § 1391(b). Once an objection to venue is raised, it is the plaintiff's burden to establish that venue is proper, that a substantial part of the underlying facts took place in this venue.

In trademark infringement and unfair competition cases, a claim is said to arise not only where the defendant's wrongful conduct occurred but also where the confusion of purchasers occurs, where the deceived customer buys the defendant's product, or as in this case, fails to buy the plaintiff's product. 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 32:63 at 32-81 (4th Ed. 1997)(quoted in GFC Fashions, Ltd. v. Goody's Family Clothing, Inc., 1998 U.S. Dist. Lexis 1989 at *6.

Moreover, § 1391(b) provides that venue is proper where any defendant resides, and a corporate defendant resides in any district where it is subject to personal jurisdiction. 28 U.S.C. § 1391(c).

For either of these reasons, it is fair to say that Illinois venue is not improper. I therefore recommend that the motion to transfer also be denied.

Failure to State Claim

Defendants also move to dismiss Counts I, III, IV, V, VI, and VII for failure to state a claim. Plaintiff does not contest the motion as to Count III, and the motion should be allowed to that extent.

Count I alleges a claim for violation of federal unfair competition, based on defendants' use of the KeelShield mark. Defendant argues first that plaintiffs' trademark registration is for a composite word/design and that as part of the prosecution of the trademark, plaintiffs were required to disclaim any right to exclusivity of the word "keelshield" without the associated design; as a result, they can have no claim for violation of that mark unless the word and design are both used, and defendant has never used the design. Defendants may have a point, but their point is entirely fact dependant and therefore improperly decided on a Rule 12 motion. Moreover, as plaintiffs also point out, a disclaimer made in the context of patent prosecution does not deprive a plaintiff of common law rights. 15 U.S.C. § 1056(b).

Defendant also argues that it is not considered using a name "in commerce" to use a domain name only to indicate an Internet address, as opposed to identifying a source of specific goods and services. Juno-Online Servs. v. Juno Lighting Inc., 979 F.Supp. 684 (N.D.Ill. 1997) That, too, may be a valid point, but the plaintiffs have alleged more, namely the metatag link to the name. If that allegation is ultimately proven, then there is more here than a bare registration, some resultant impact on commerce. Certainly defendants have presented no authority that such an impact on commerce is not enough.

Finally, defendants point out that they cannot be liable for the metatag because Bainbridge is not associated with them. Plaintiff claims that such liability could be supported under several different

legal theories, including contributory liability, inducement, vicarious liability and joint tortfeasors. Such theories could lead to findings of secondary liability of defendants for the conduct of Bainbridge. Plaintiffs have alleged a relationship - manufacturer/distributor and overlapping employees and management - that may or may not prove to hold up following discovery. To rule at this point that Bainbridge and the defendants are entirely separate would be to make findings of fact at the pleadings stage, obviously improper. For all of these reasons, the defendants' arguments fail and the motion to dismiss Counts I should be denied.

Count IV is plaintiffs' claim for violation of the Illinois Deceptive Trade Practices Act, and Count V alleges a violation of the Illinois Consumer Fraud and Deceptive Business Practices Act. Once again, in reliance on Juno, defendants argue that registration of a domain name, without more, is not enough to state a claim under the Act. Once again, more has been alleged than mere registration and once again, part of defendants' criticism of this count is fact-based. Once again, the motion should be denied as to Counts IV and V.

Defendants also criticise Counts IV and V to the extent it is based on conduct that occurred in Florida. No authority, other than a tacit appeal to common sense, is cited for the proposition that an Illinois statute cannot govern conduct that occurred outside of Illinois. I note, however, that the misconduct that allegedly occurred in Florida is only part of the alleged violations of these statutes. If that misconduct is proven, and if it is proven to be just one part of the violations, then it could be considered in conjunction with the remaining proof to determine if a violation actually occurred. Because it is not the misconduct in Florida, standing alone, that forms the basis of plaintiffs' claims, this argument provides no basis for dismissal of these counts.

Conclusion

For all the reasons stated above, I recommend that the motion to dismiss based on lack of personal jurisdiction be denied, that the motion to transfer based on improper venue be denied, and that the motion to dismiss for failure to state a claim be allowed as to Count III and denied in all other respects. Motions to Strike #26 and #36 are granted as stated in Footnote No. 2. Motion for leave to file (#34) is granted.

The parties are advised that any objection to this Report and Recommendation must be filed in writing with the Clerk within ten (10) working days after service of this Report and Recommendation. Fed.R.Civ.P.72(b); 29 U.S.C.636(b)(1). Failure to object will constitute a waiver of objections on appeal. Johnson v. Zema Sys. Corp., 170 F.3d 734, 739 (7th Cir. 1999); Video Views Inc. v. Studio 21, Ltd., 797 F.2d 538 (7th Cir. 1986).

ENTER this 11th day of May, 2001.

JOHN A. GORMAN

UNITED STATES MAGISTRATE JUDGE